

Service Date: May 4, 1976

BEFORE THE UTILITY DIVISION

DEPARTMENT OF PUBLIC SERVICE REGULATION
MONTANA PUBLIC SERVICE COMMISSION

IN THE MATTER OF the application of)	DOCKET NO. 6373
CITY OF GREAT FALLS for authority)	
to increase water rates and to promul-)	ORDER NO. 4250
gate rules and regulations.)	

On September 26, 1975, CITY OF GREAT FALLS (Applicant), filed an application with this Commission for authority to increase water rates and to promulgate rules and regulations. A hearing on the application was held on February 10 and 11, 1976, in Great Falls, Montana.

APPEARANCES

FOR THE APPLICANT:

RAY F. KOBY, attorney at law, Swanberg, Koby, Swanberg,
Matteucci, Montana Building, Great Falls, MT 59401

FOR THE CONSUMER COUNSEL:

WILLIAM M. JOHNSON, Utility Consultant, 1311 Shirley
Road, Helena, MT 59601

FOR THE DEPARTMENT OF DEFENSE:

Captain DOUGLAS M. RAWLINGS, Counsel, USAF, Malmstrom,
AFB, MT 59402

FOR THE ANACONDA COMPANY (Little Chicago Water Company):

WILLIAM P. MUFICH, Counsel, The Anaconda Company, P. O.
Box 689, Butte, MT 59701

FOR THE COMMISSION:

FRANK E. BUCKLEY, Rate Analyst, Utility Division

BEFORE:

GORDON E. BOLLINGER, Chairman
P.J. GILFEATHER, Commissioner
THOMAS G. MONAHAN, Commissioner

The Commission having taken evidence and being fully advised in the premiscs, makes the following findings, conclusions and order:

FINDINGS OF FACT

1. Public notice of this hearing was given by means of legal publication in the January 11, 1976, edition of the Great Falls Tribune.

2. The hearing commenced at 10:00 a.m. (MST), on February 10, 1976, in the Commission Chambers, Civic Center, Central Avenue and Park Drive, Great Falls, Montana. During the hearing seven witnesses for the applicant, RICHARD D. THOMAS, City Manager; KENNETH DUNHAM, Water & Sewer Rate Study Task Force Member; MONTE M. ELIASON, Vice President of Economic Planning and Research for TAP Inc.; JACK HOLLAND, Director of Public Works; RAYMOND C. YOUNG, Director of Finance; GENE HUFFORD of D. A. Davidson & Company; and T. H. THOMAS, President of Thomas, Dean & Hoskins, Inc., testified subject to cross examination.

One witness for the Department of Defense, Captain JOHN HICKS, testified subject to cross examination.

Statements were taken from four public witnesses, Paul Pistoria, Ed Ugrin, Ann Allen and Don Topel.

3. The City of Great Falls is a municipal water utility furnishing water service in the State of Montana, subject to the regulatory jurisdiction of the Commission under Title 70, Chapter 1, R.C.M. 1947.

4. The Applicant asserts that its balance sheets, profit and loss statements and engineering study justify the conclusion that its authorized rates are no longer sufficient to provide monies for capital improvements and for projected operating costs for a five-year period.

5. The Applicant's current rate schedules would produce revenues of \$1,431,100 from sales of 6,264,000 Ccf of water. (T.H. Thomas, Exhibit 17)

6. Applicant's proposed rate schedule would produce revenues of \$2,223,300 resulting in an increase of \$792,200 from sales of 6,264,000 Ccf of water. CT. H. Thomas, Exhibit No. 17)

7. The operation and maintenance cost of the water department will approximate a 9 percent per year rate of increase. (P. 8 Prepared testimony of M. Eliason)

8. The operation and maintenance expenses for the fiscal year 1975 are approximately \$935,900. CT. H. Thomas, Exhibit No. 13)

9. Based on Findings of Facts 6 & 7, the Commission finds that the Applicant's normal recurring operation and maintenance costs will be approximately \$1,020,100 in fiscal 1976, \$1,111,900 in fiscal 1977, \$1,212,000 in fiscal 1978 and \$1,321,100 in fiscal 1979.

10. The City of Great Falls discontinued charging the Public Fire Hydrant charge in fiscal 1976 without Commission approval. (T. Thomas, Exhibit No. 13)

11. Based on Finding of Fact 10, the Commission finds that this discontinuation of the charge would reduce Applicant's operating revenues by at least \$74,367 in fiscal year 1976.

12. The Applicant has deleted summer irrigation rates.

13. The projected revenues will increase at approximately 2 percent per year. (P. 38, Exhibit No. 1, prepared testimony of Richard D. Thomas)

14. The Commission finds the concept of phased universal metering for Great Falls to be reasonable and in the public interest to promote conservation (thereby keeping filtering, pumping, capital and other cost down) and to promote equity of billing among Applicant's different customers.

15. If the metering is implemented over a ten year period, rather than a five year period as proposed by Applicant, some \$421,000 less bonds will be needed through 1979 than would be the case if the metering were accomplished over the shorter period. (T. H. Thomas, Exhibit 4)

16. Because of the economics involved, and the apparent feelings of some Great Falls residents opposing metering, the Commission determines that implementation of universal metering to commence now and to progress to an orderly completion within 10 years, would not unduly burden affected persons economically.

17. Based on Findings of Facts 15 & 16, the Commission finds that the requirements of the bond revenue account can be reduced by approximately \$38,000.

18. The Department of Defense would not guarantee that its present usage would not increase in the future.

19. T. H. Thomas testified that if the pressure on the water line serving Malmstrom Air Force Base (MAFB) were increased, then MAFB would have the capability to take more water than it currently is taking. The Commission has no reason to doubt his testimony.

20. The Capital improvement program will increase the amount of pressure on the water line serving Malmstrom.

21. Based upon Finding of Facts 18, 19 and 20 the Commission determines that Malmstrom Air Force Base will be able to take more water than that testified to by Captain Hicks, therefore, the rates ordered herein for Malmstrom AFB are justified.

22. Taken together, Findings of Facts 9, 11, 13, 17 and 21 require that rate schedules be authorized which will generate revenues from water sales to all classes of customers, (except the public hydrant rental class) of \$1,932,000 and revenues of \$100,500 from public hydrant rental charges.

23. The City of Great Falls has a coverage requirement for its bonds of 1.25 times.

24. Under normal conditions, barring any unusual non-recurring events, the City of Great Falls should be able to meet its coverage requirements through 1979.

25. The increase in revenues generated from water sales of 6,264,000 Ccf of water is \$500,900 which, if allocated on a pure volumetric basis, would amount to a \$.07996/Ccf increase.

26. The rate structure proposed by Applicant is not reasonable because it increases the larger user a smaller absolute amount per 100 cubic foot than the smaller user and therefore penalizes conservation. For example, under the proposed residential rate, the largest water user would have his bill increased 14-20 cents per 100 cubic feet of water, but the smallest user category would be raised 40 cents per 100 cubic feet of water. Under the proposed commercial rates the largest use category would be increased 14 cents and the smallest category 30 cents (per 100 cubic feet of water)

Gradual flattening of these rates (rather than increasing inequities) would encourage conservation and more nearly reflect cost of serving these various volumes of customer usage. The rate structure ordered herein tends to accomplish these conservation and cost of service goals and is therefore reasonable and in the public interest.

RULINGS ON MOTIONS AND OBJECTIONS

1. The Consumer Counsel moved the Public Service Commission to delete all references to universal metering in this case apparently based on insufficiency of notice. This motion was denied since such metering is a desirable goal aiding in promoting equity among consumers and in promoting the conservation of water since the notice specifically stated that Applicant needed "... increased revenue to provide monies for capital improvements and for projected operating costs...." While the notice may have been more complete if it had stated with more specificity the various capital improvements involved in this application, the notice here is legally sufficient, especially in light of the fact that interested persons could and did find out what was included in the capital improvements category and in light of newspaper publicity on the subject which aided public understanding. The Commission is charged with preparing notices that are not so interminably long that they become confusing, expensive and virtually unreadable. In the exercise of its discretion, the Commission is continually trying to join the goals of brevity and clarity with the goal of comprehensive notice and understanding.

2. The Consumer Counsel moved the Public Service Commission to order the City of Great Falls to reinstate the Public Fire Hydrant charge. This motion was taken under advisement and is granted to put the city in compliance with a prior Commission order.

3. The Consumer Counsel moved the Public Service Commission to order the City of Great Falls to strike the five percent per month penalty charge for delinquent bills in Paragraph C of 3-3-13. This motion was granted.

4. The Consumer Counsel moved the Public Service Commission to order the City of Great Falls to reinstate the 25 cent rate block in the Malmstrom tariff or have a concurrent percentage reduction for all other customer classes. This motion was taken under advisement and is granted so that Malmstrom's share of the costs it imposes and will impose upon the Great Falls system are more nearly met.

5. The Anaconda Company moved the Public Service Commission that it be allowed to pass on to its Black Eagle customers, the increase in water charges from the City of Great Falls. This motion was taken under advisement and is denied since this Commission as a matter of law and policy does not generally allow a pass through without a hearing.

6. All other rulings on objections to evidence and on motions made at the hearing, and contained in the transcript, are incorporated herein by reference.

7. Action on the other rules and regulations proposed by Applicant will be deferred until final Public Service Commission action on the proposed Consumer Bill of Rights for Utility Customers rulemaking.

8. Any other objections to evidence or motions not previously ruled upon are denied.

CONCLUSIONS OF LAW

1. This Commission has a duty under the provisions of the Public Service Commission Act, R.C.M. 1947, Section 73-101, et seq., to insure that utilities under its jurisdiction provide reasonably adequate service at just and reasonable rates.

2. In view of the declining coverage factor of the Applicant and its capital improvements program, increased rates for Applicant's water service as herein approved are justified.

3. The increase approved herein is a just and reasonable amount to insure continued service to Applicant's consumers.

ORDER

1. The City of Great Falls is allowed to earn the amounts found reasonable in Findings of Facts 22 and 25. Applicant shall file within twenty (20) days of this Order, tariffs reflecting this allowance of an increase to raise not more than \$1,932,000 in revenues from all except the Public Hydrant Rental charges.

2. The following rate schedules are accepted as proposed:

- a) flat rate residential
- b) additional rate for taps larger than 3/4" - monthly
- c) fire protection, private fire lines - annually
- d) standpipe water sales
- e) park irrigation
- f) irrigation rates - charged monthly (flat)
- g) underground lawn sprinkling systems (flat)
- h) minimum metered charges for residential and commercial.

Malmstrom Air Force Base, Anaconda Company (and Black Eagle) the Mitchell pool and all other swimming pools shall be served on the commercial meter rate as set forth herein. All swimming pools including those at residences shall be metered within one month of this order.

Persons who voluntarily order water meters shall receive them within three months of the date ordered instead of the present six month waiting period.

All schools in Applicant's area shall be served on a metered residential rate schedule.

3. In addition, Applicant shall submit schedules to complete the raising of the amount authorized in Paragraph 1 of this order.

The design of those schedules shall be as follows:

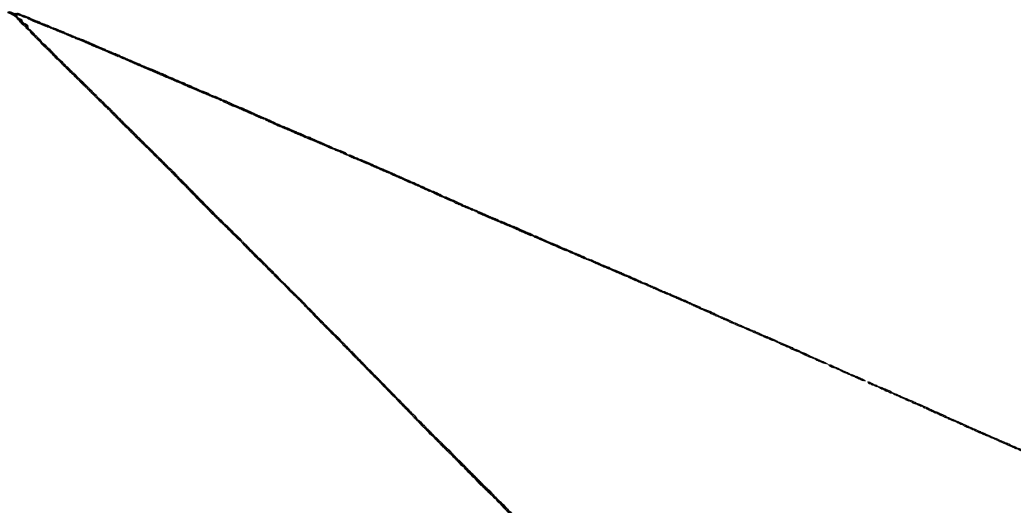
The residential and commercial metered rate schedules will add a flat \$.08 per 100 cubic foot for each block:

EXAMPLE	RATE PER 100 CUBIC FEET
First 3,000 cubic feet per three months	\$.38
Next 12,000 cubic feet per three months	.33
Next 15,000 cubic feet per three months	.28
Next 270,000 cubic feet per three months	.21
All over 300,000 cubic feet per three months	.19

EXAMPLE:

COMMERCIAL METERED

First 3,000 cubic feet per three months	\$.48
Next 12,000 cubic feet per three months	.43
Next 15,000 cubic feet per three months	.28
Next 270,000 cubic feet per three months	.21
All over 300,000 cubic feet per three months	.19



4. Applicant will reinstate the Public Hydrant Rental charge with an appropriate increase to generate revenues of \$100,500 yearly.

5. The filed tariffs shall be effective for product delivered during the next full billing period after April 30, 1976.

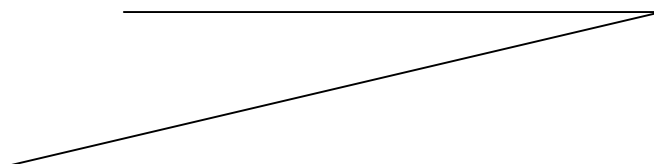
In summary, only \$500,900 of the \$792,000 requested revenue increase from current water sales was granted. This is \$291,100 less than was requested from current water sales or only 63 percent of the request.

This increase would average about eight cents per 100 cubic feet, for each category of usage under the metered rate. The metered rate is gradually being flattened to avoid undue economic hardship to those whose business requires large volumes of water.

Flat rate customers will bear a slightly larger share of the increase than metered customers. It is hoped this will encourage metering since the flat rate does not enhance conservation. Waste adds to filtering, pumping and equipment cost--even if the product (water) is abundant. Also, since we are facing shortages in chemicals needed to purify water in some areas of the nation, waste exacerbates those shortages.

In addition to the revenue increase from current water sales, the Commission directed \$100,500 to be generated from the public hydrant rental charge whereas the city proposed not to raise any revenue from that source.

In total, \$190,600 of the requested increase or 24 percent was not allowed:



DONE IN OPEN SESSION at a meeting of the Public Service Commission, held on April 27, 1976, by a 3-0 vote.

GORDON E. BOLLINGE, Chairman

P.J. GILFEATHER, Commissioner

THOMAS G. MONAHAN, Commissioner

ATTEST:

GAIL E. BEHAN
Secretary

(SEAL)